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Report of UNDP, UNFPA and UNOPS on joint procurement activities

Summary

UNDP, UNFPA and UNOPS continue to show their commitment to joint procurement, initiating, supporting and participating in initiatives and activities globally to pursue benefits and opportunities that have resulted in stronger procurement practices, more efficient processes and lower costs for all participating organizations.

Since the report on these projects in 2015, the organizations have implemented new internal reporting requirements, resulting in the ability to provide more quantitative information and analysis on joint procurement. The reporting now includes details on the diversity and nature of joint procurement with the three organizations, reaffirming the value of the initiative and the commitment of the participating organizations.

This report presents key findings and outcomes from the joint procurement work conducted in 2015 and highlights initiatives under way in 2016.

Elements of a decision

The Executive Board may wish to take note of the present report and comment on the joint procurement activities delivered in 2015, as well as activities in progress in 2016

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I. Introduction

1. Joint procurement initiatives have been part of the Copenhagen-based procurement units of UNDP, UNFPA and UNOPS since 2011, and in 2015 the three organizations continued to demonstrate their commitment to undertaking these activities so as to harmonize business practices and improve the effectiveness and efficiency of United Nations procurement.

2. While many large contracts are developed at the headquarters level, there is an increased emphasis on collaboration at the country level. Country-level joint procurement activities – evident in over 30 'delivering as one' countries – focus on capacity-building, policy harmonization, advisory services, and tools to facilitate joint processes and achieve results.

3. Joint procurement is conducted through a number of initiatives and activities, comprising:

(a) Increasing usage of existing agreements or contracts of other United Nations organizations ('piggy-backing');
(b) Establishing and using joint long-term agreements through 'lead agency' approach;
(c) Using procurement services of or procuring from other United Nations organizations;
(d) Other formal collaborations with United Nations partners, through:
  (i) Participation in a joint procurement unit, or
  (ii) Joint or common procurement activities with other organizations (sharing of specifications, for example)

4. The savings obtained from joint procurement initiatives reduce the costs of the projects, either directly, through tangible savings, or indirectly, through cost avoidance. Savings and reduction of costs are obtained by:

(a) Increasing value for money through improved planning, requirements gathering, discounts and better negotiation power;
(b) improving coordination, consistency and planning across organizations;
(c) reducing parallel processes and transaction costs;
(d) improving supplier relationships;
(e) applying better procurement risk management;
(f) promoting the concept of 'One United Nations' among the private sector; and
(g) sharing purchasing experience, information, expertise and learning[1].

Where applicable, the savings are reprogrammed into project work or programmatic activities. This delivers further support to projects and programmes as savings are realized.

5. Since the inception of the initiative, inter-agency joint procurement has led to significant savings and a range of other benefits across the United Nations system. As described in the following sections, various joint procurement activities are ongoing, with additional projects planned for 2016. These initiatives reflect the leadership and participation of UNDP, UNFPA and UNOPS; key results are highlighted below.

[1] *Harmonizing United Nations Procurement: Common United Nations Procurement at the Country Level*, High-level Committee on Management, Procurement Network Working Group on Harmonization, Version 3.1. March 2015

II. 2015 highlights – joint procurement activities

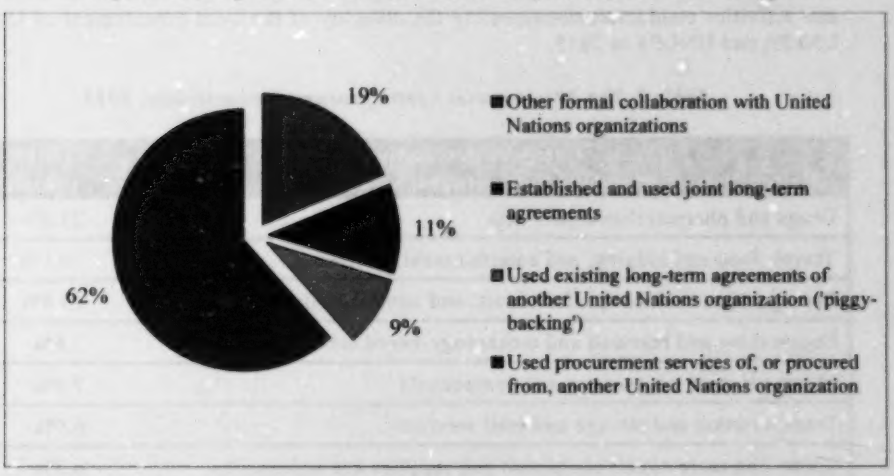
6. In 2015, UNDP, UNFPA and UNOPS reported a combined 2,678 joint procurement initiatives and activities globally. The share of the reported initiatives and activities from the three organizations are shown in table 1, below.

Table 1. Joint procurement activities reported (2015)

UNDP	677 / 25.3%
UNFPA	698 / 26.1%
UNOPS	1303 / 48,7%
Total	2,678 initiatives and activities

7. Figure 1, below, details the initiatives and activities conducted by UNDP, UNFPA and UNOPS in 2015 according to four types of joint procurement. Procurement from another United Nations organization, or utilization of its procurement services, represents the majority (62 per cent) of joint procurement in 2015.

Figure 1. Joint procurement initiatives, 2015, by activity and initiative type

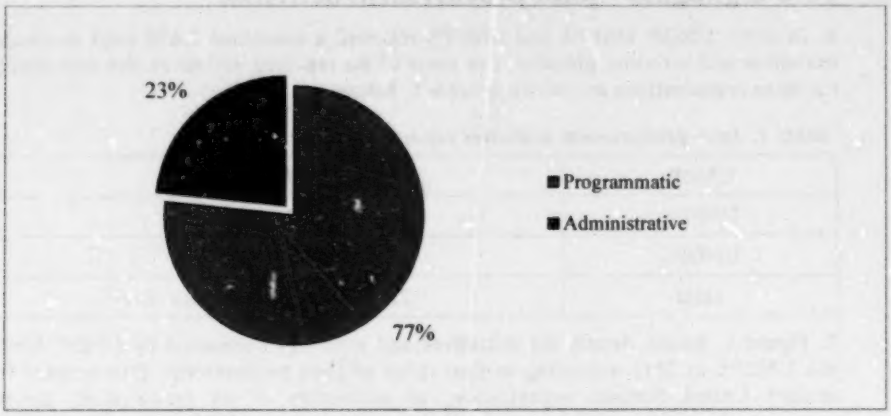

19%
11%
9%
62%
Other formal collaboration with United Nations organizations
Established and used joint long-term agreements
Used existing long-term agreements of another United Nations organization ('piggy-backing')
Used procurement services of, or procured from, another United Nations organization

Categories of collaboration initiatives

8. The joint procurement initiatives and activities reported for 2015 covered 46 out of a possible total of 57[2] high-level categories of goods and services, showing that joint procurement activities are widely used across the different categories of procurement conducted by the three organizations. Figure 2, below, shows that more than three quarters of these joint initiatives and activities are for goods and services procured directly for programmes and projects.

[2] Based on segment level of the United Nations Standard Products and Services Code, which comprises 57 category segments.

Figure 2. Nature of 2015 joint procurement activities



9. Table 2, below, represents the top 10 categories of goods and services in initiatives and activities conducted, documenting the diversity of the joint procurement of UNDP, UNFPA and UNOPS in 2015.

Table 2. Top 10 categories - joint procurement activities, 2015

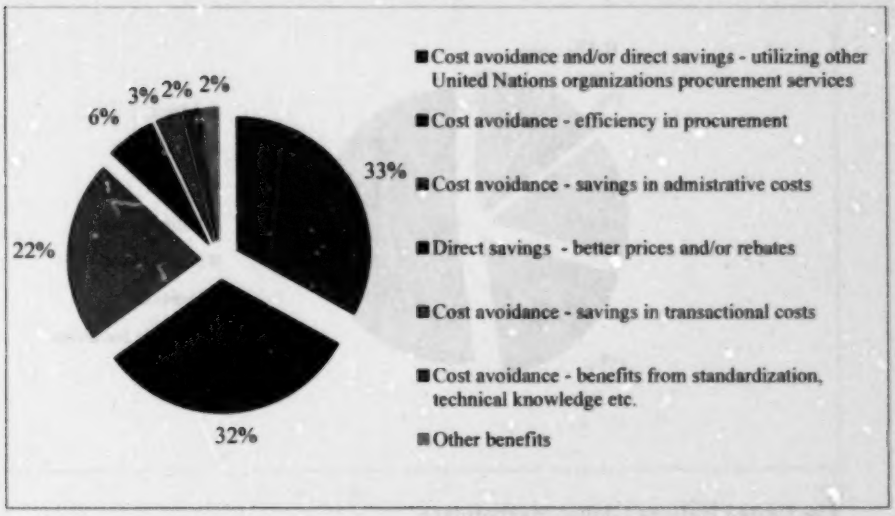
Category description (United Nations Standard Products and Services Code-family level)	2015 volume[3]
Drugs and pharmaceutical products	23.0%
Travel, food and lodging, and entertainment services	14.1%
Management, business professionals, and administrative services	13.8%
Engineering and research and technology-based services	7.6%
Motor vehicles, accessories and components	7.0%
Transportation and storage and mail services	6.9%
Sports and recreational equipment and supplies and accessories	6.3%
Medical equipment, accessories and supplies	4.6%
National defence and public order and security and safety services	2.9%
Building and facility construction and maintenance services	1.9%
Other	12.0%

[3] Percentage represents the category share of the total number of joint procurement activities and initiatives.

Reported benefits of joint procurement

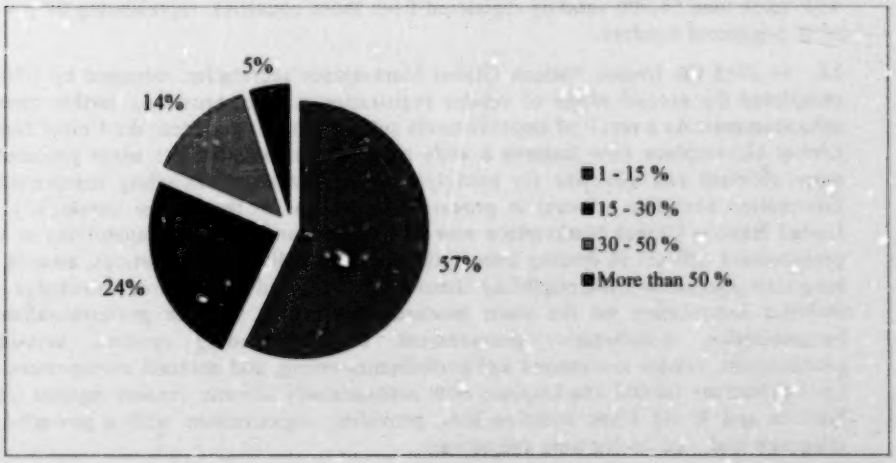
10. As previously described, there are a number of benefits that can result from joint procurement initiatives and activities. In 2015, UNDP, UNFPA and UNOPS reported the breakdown of types of benefits gained from joint procurement shown in figure 3, below.

Figure 3. Share of types of benefits reported in 2015


33%
32%
22%
6%
3%
2%
2%
Cost avoidance and/or direct savings - utilizing other United Nations organizations procurement services
Cost avoidance - efficiency in procurement
Cost avoidance - savings in admistrative costs
Direct savings - better prices and/or rebates
Cost avoidance - savings in transactional costs
Cost avoidance - benefits from standardization, technical knowledge etc.
Other benefits

11. Where possible, projects and offices were requested to provide information on the direct savings achieved by the initiative or activity. For 2015, 120 activities were reported, where actual savings were documented. Figure 4, below, provides a breakdown of the percentages of savings achieved in those reported cases. On average, UNDP, UNFPA and UNOPS were able to obtain savings of 9 per cent in cases where that was the goal, while in 5 per cent of cases, savings of more than 50 per cent were realized.

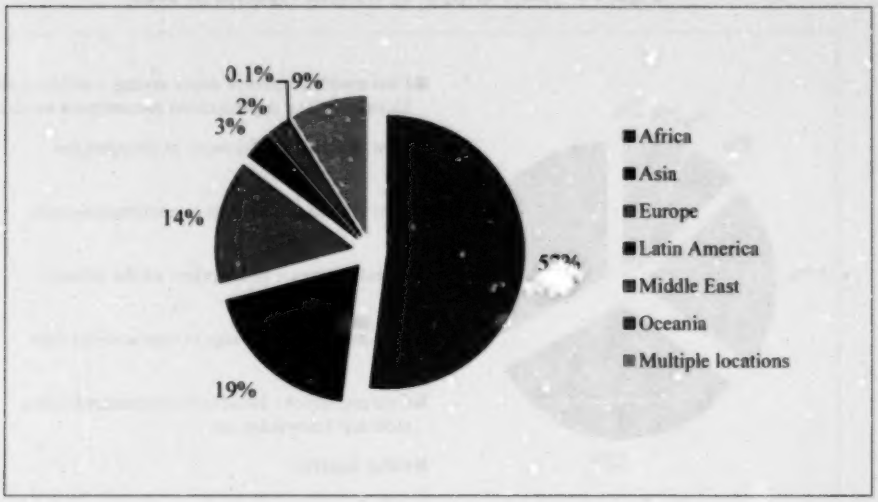
Figure 4. Percentages of savings achieved in 120 reported activities



Regional distribution of joint procurement

12. Joint procurement conducted directly in programmes, projects and country offices is evident throughout the three organizations. Figure 5, below, shows the geographical spread of these activities in 2015.

Figure 5. Regional distribution of joint procurement activities



The United Nations Global Marketplace

13. The United Nations has committed itself to granting market access to its procurement volume, ensuring open competition and fairness. The United Nations Global Marketplace continues to be a valuable online procurement resource for the United Nations community, providing more than 93,000 registered vendors access to 26 United Nations organizations. Since the launch of vendor registration reform in 2013, vendor registrations have seen a 150 per cent increase. Registrations from developing countries and countries with economies in transition have increased by over 200 per cent, with more than 56,000 vendors registered from those countries, representing 60 per cent of all registered vendors.

14. In 2015 the United Nations Global Marketplace secretariat, managed by UNOPS, completed the second phase of vendor registration reform, providing further strategic enhancements. As a result of improvements subsequently introduced, the United Nations Global Marketplace now features a wide range of content that has made procurement more efficient and effective for participating organizations, including comprehensive information and data relevant to procurers as well as to the vendor community. The United Nations Global Marketplace now provides expanded search capabilities to assist procurement officers in finding information on standardized specifications, awards, and long-term agreements, the eligibility status of vendors, and other shared knowledge. This includes information on the main procurement themes such as professionalization, harmonization, collaborative procurement, category coding systems, sustainable procurement, vendor assessment and performance rating, and contract management. The United Nations Global Marketplace now automatically screens vendors against United Nations and World Bank sanction lists, providing organizations with a powerful due diligence tool, and saving time and money.

Increasing use of long-term agreements

15. The utilization of long-term agreements is steadily increasing within the United Nations procurement community, where agencies have either:

(a) **Used existing long-term agreements or contracts of other United Nations organizations ('piggy-backing approach')** in order to reduce administrative costs, to benefit from preferential rates already achieved, or to take advantage of the expertise the other organization has developed in procuring certain commodity groups; or

(b) **Cooperated in a joint solicitation process ('lead agency approach').** Where procurement projects relate to categories closely aligned to the mandate of an organization, the procurement process is further improved by assigning 'lead agency' status. This model is used to consolidate procurement volumes to achieve rates and prices that no single organization could obtain on its own. Ultimately, this model can minimize inefficiencies and reduce workload for all participating organizations

16. UNDP, UNFPA and UNOPS reported 493 joint procurement initiatives to develop and utilize long-term agreements in 2015. Exactly 53.1 per cent of those initiatives and activities were categorized as 'lead agency approach' and 46.9 per cent as 'piggy-backing approach'. Tables 3 and 4, below, show the shares of the different categories of goods and services in these joint procurement initiatives and activities.

Table 3. Largest categories of goods and services procured through 'piggy-backing approach'

Categories – 'piggy-backing approach'	Share of total activities[4]
Medical equipment, accessories and supplies	29%
Travel, food and lodging, and entertainment services	21%
Motor vehicles, accessories and components	14%
Transportation, storage and mail services	5%
Information technology, broadcasting and telecommunications	5%
Management, business professionals and administrative services	4%
National defence, public order and security and safety services	4%
Laboratory, measuring, observing and testing equipment	4%
Financial and insurance services	2%
Office equipment, accessories and supplies	2%
Other	5%

[4] Percentage represents the category share of the total number of joint procurement activities and initiatives

Table 4. Largest categories of goods and services procured through 'lead agency approach'

Categories – 'lead agency approach'	Share of total activities[5]
Travel, food and lodging, and entertainment services	56%
Transportation, storage and mail services	7%
Editorial, design, graphic and fine art services	5%
National defence, public order and security and safety services	5%
Management, business professionals and administrative services	4%
Financial and insurance services	4%
Office equipment, accessories and supplies	4%
Motor vehicles, accessories and components	4%
Fuels, fuel additives, lubricants and anti-corrosive materials	4%
Information technology, broadcasting and telecommunications	2%
Other	3%

Long -term agreements available on the United Nations Global Marketplace

17. United Nations organizations are increasing collaboration through the sharing and utilization of long-term agreements. This is evident from the steadily increasing number of United Nations organizations that have developed long-term agreements shared through the United Nations Global Marketplace. In 2015, an additional 80 long-term agreements were shared on the Global Marketplace, increasing the total number of active long-term agreements available from participating United Nations organizations to 227, covering 20 category segments. In 2015, UNDP, UNFPA and UNOPS made an additional 56 long-term agreements available on the Global Marketplace, amounting to a 70 per cent share of the total increase for 2015 in long-term agreements.

18. There are 227 active long-term agreements now available in the United Nations Global Marketplace, 145 of them from UNDP, UNFPA and UNOPS. This increases collaboration with other United Nations organizations, providing others with access to the efficient use of procurement resources, and laying the foundation for savings and cost avoidance.

Joint procurement teams and formalized collaboration

19. Formalizing joint procurement locally through a joint or common procurement team, or through collaborative sourcing activities, lays the foundation for identifying new ways of ensuring that procurement continues to add value to programmes and projects. Through these teams, inter-agency procurement needs are identified locally, and work plans are developed to deliver joint sourcing activities.

20. UNDP, UNFPA and UNOPS reported 496 joint procurement initiatives and activities involving procurement through joint procurement teams or collaboration in the development of specifications and sourcing activities. Table 5, below, shows the shares of the different categories of goods and services within this type of joint procurement.

[5] Percentage represents the category share of the total number of joint procurement activities and initiatives

Table 5. Largest categories of goods and services procured through joint procurement team

Categories – joint procurement teams	Share of total activities[6]
Engineering, research and technology-based services	50%
Travel, food and lodging, and entertainment services	13%
Politics and civic affairs services	9%
Management, business professionals and administrative services	6%
Land, buildings, structures and thoroughfares	6%
Transportation, storage and mail services	4%
Fuels, fuel additives, lubricants and anti-corrosive materials	4%
Medical equipment, accessories and supplies	3%
Power generation, distribution machinery and accessories	1%
National defence, public order, and security and safety services	1%
Other	2%

Using procurement services of other organizations

21. In a number of locations and circumstances, it is appropriate or necessary to procure directly from another United Nations organization, or to request another United Nations organization to carry out certain procurement activities on one's behalf. This joint procurement approach is particularly beneficial for procurement in categories where there is a mandate, recognized expertise or available resources for the procurement of the particular goods, works or services.

22. In 2015, UNDP, UNFPA and UNOPS reported 1646 cases where procurement was conducted with another United Nations organization, or through the procurement service of that organization, making this the largest type of joint procurement in 2015. In monetary volume, the three organizations reported a total procurement volume of $93 million from another United Nations organization. Table 6, below, shows the breakdown of the volume for each organization.

Table 6. Breakdown of volume – joint procurement activities, 2015

		Supplying United Nations organization (values in $ millions)				
		UNDP	UNFPA	UNOPS	Other United Nations organization	
Procuring United Nations organization	UNDP	0.66[7]	1.58	3.64	66.81	72.69
	UNFPA	1.75	0.00	6.05	4.54	12.34
	UNOPS	2.05	0.54	0.01[4]	5.29	7.89
		4.46	2.12	9.7	76.64	92.92

23. Joint procurement of this type included a wide variety of categories of goods and services, as shown in table 7, below.

[6] Percentage represents the category share of the total number of joint procurement activities and initiatives

[7] Represents procurement between different country offices within same organization

Table 7. Largest categories of goods and services procured through joint procurement team

Categories – procurement with a United Nations organization	Share of total activities
Pharmaceuticals, including contraceptives and vaccines	38%
Sports, recreational equipment, supplies and accessories	11%
Management, business professionals and administrative services	10%
Motor vehicles, accessories and components	9%
Transportation, storage and mail services	8%
Medical equipment, accessories and supplies	4%
Building and facility construction and maintenance services	4%
Public utilities and public sector-related services	1%
Travel, food and lodging, and entertainment services	1%
Education and training services	1%
Other	6%

III. Highlights of activities in progress in 2016

Further enhancements to the United Nations Global Marketplace

24. In 2016 the United Nations Global Marketplace secretariat is further enhancing the United Nations Global Marketplace functionality under the 'UNGM 3.0' development project. The enhanced features include:

(a) Improvement in the flagging of sanctioned vendors, allowing greater clarity of proscribed practices;

(b) Development of an institutional portal for chambers of commerce and trade promotion agencies to increase global vendor outreach;

(c) Capability of registering individual consultants.

Global third-party logistics services

25. UNDP, UNFPA and UNOPS are part of a collaborative tender process for global third-party logistics services (UNICEF is the lead organization). The process was started in 2015 and is expected to be completed in the second half of 2016. The new long-term agreements should result in improved trade and visibility of shipments; clearer accountability; increased transparency through an 'open-book' policy; and improved performance management through standardized key performance indicators across participating organizations.

Category management at UNOPS

26. UNOPS has further solidified its procurement work by consolidating its category management activities globally. In 2015 it appointed central category teams to take the lead on short- and long-term procurement initiatives within its four largest procurement categories. Through these teams, UNOPS is seeking further efficiency gains globally through the development and sharing of long-term agreements across the organization. Central to those initiatives is increasing the awareness of existing agreements, not only within UNOPS but throughout the United Nations system. In 2015 this effort yielded significant results, showing concrete savings or cost avoidance of up to 35 per cent. The teams continue to widen their focus, and in 2016 and onward will plan, develop and deliver further initiatives and agreements for UNOPS, to be shared with the wider United Nations community.

Re-launch of UN Web Buy

27. UN Web Buy (www.unwebbuy.org) has been serving the United Nations organizations and its partners for more than 30 years, and towards the end of 2016 UNOPS will re-launch its UN Web Buy initiative, introducing an improved e-commerce system to replace the current platform. The new system, developed in-house by UNOPS, aims to consolidate the position of UN Web Buy as a value-adding procurement service provider to other United Nations organizations, partners and clients. The system will provide users, partners and vendors with a self-service solution that is easy to use and tailored to the procurement process, and to categories common to the aid and humanitarian community. It will enhance the usability of all current catalogues items while easing the ability to add new categories of items as they become available. In 2016, UNOPS plans to further enhance its offerings in a number of categories, providing all participants with access to goods and service relevant to the United Nations and its partners.

Collaboration between UNFPA and the World Food Programme to address supply-chain bottle-necks

28. The World Food Programme (WFP) and UNFPA will conduct a pilot seeking to unite UNFPA expertise in procuring reproductive health commodities with WFP logistics leadership, in the hope of creating mutually beneficial economies of scale. The pilot will focus on upstream supply chain activities where WFP will coordinate, and in some cases help custom clear, UNFPA shipments to 20 identified countries where comparative advantage can be demonstrated. This represents an opportunity for UNFPA and WFP to reflect their commitment to supply chain excellence, in line with sustainable development goal 17, 'Partnership for results and the grand bargain'.

Strengthening procurement capacity

29. Public procurement accounts for a significant share of the expenditures and investments of a country, often reaching up to 15 per cent of gross domestic product and around 40 per cent of total public budgets. Public procurement is the process through which public funds are transformed into public goods, works and services. Efficient public procurement is a basic element in any poverty reduction initiative, as the poor and most vulnerable segments of the population are those most dependent on public services and infrastructure.

30. UNOPS advisory services were launched in response to growing demands from governmental organizations. UNOPS provides technical and managerial assistance in procurement, capitalizing on its experience in the context of the local regulatory frameworks and strengthening local procurement and financial systems. Similar services are also provided by other United Nations organizations, including UNDP.

UNFPA-United States Agency for International Development Coordinated Supply Planning Group: supply planning coordination for greater programme impact

31. Collaboration in the areas of procurement and supply chain management is not limited to United Nations partners. The Coordinated Supply Planning Group consists of representatives of UNFPA, the United States Agency for International Development (USAID), the Clinton Health Access Initiative, and the Reproductive Health Supply Coalition.

32. The Coordinated Supply Planning Group seeks to prevent supply chain crises through better coordination among the two key procurers of family planning commodities, USAID and UNFPA; in particular to:

(a) Co-develop UNFPA and USAID forecasts and supply plans for critical products for production planning, contract negotiation, and rational product allocations in order to reduce risks of in-country over-stock or stock-out;

(b) Coordinate UNFPA and USAID orders with manufacturers to improve supplier production management and to ensure that these orders can be filled on time; and

(c) Foster coordination and supply planning at country-level between donor representatives, ministries of health, social marketing programs, and non-governmental organizations

33. Through its work in 2015, the Coordinated Supply Planning Group managed to avert 1.2 million unplanned pregnancies, 600 maternal deaths, and 8,500 infant deaths. In 2016, the Group will continue to work towards reducing global supply risk to ensure improved delivery and greater impact on all family planning programmes.

United Nations-wide commodity study

34. UNDP, UNFPA and UNOPS will take part in an upcoming commodity study project under the High-level Committee on Management Procurement Network. The project, which will start in 2016, aims to have a more accurate picture of the category and volume of goods and services in the entire United Nations system that could be procured jointly, as well as the potential associated savings. The expected visibility provided by this study will allow United Nations organizations to make better informed decisions on their collaborative procurement activities.

Ongoing activities related to projects and programmes

35. All 2015 country office joint procurement teams are continuing throughout 2016. Joint procurement or harmonization is a focus area for county-level procurement procedures. UNFPA, in particular, is working to determine where each county office stands in terms of joint procurement and is seeking areas for improvement. In some instances, UNFPA has taken the lead on harmonized and joint procurement in areas that were found to be lacking.

IV. Conclusion

36. UNDP, UNFPA and UNOPS showed a continued focus on joint procurement in 2015, initiating, supporting and participating in initiatives and activities globally to pursue benefits and opportunities for savings and efficiency gains. As documented by this report, these initiatives and activities are not only of an administrative nature, but cover a wide range of products and sectors, in direct support of projects and programmes.

37. Joint procurement initiatives continue to provide both tangible and intangible benefits to UNDP, UNFPA and UNOPS, and to other participating United Nations organizations, as well as non-United Nations organizations. These include delivering savings, avoiding costs, eliminating duplication of work, and increasing consistency, leading to stronger project and country office procurement.

38. UNDP, UNFPA and UNOPS will continue to pursue joint procurement opportunities, involving non-United Nations partners when applicable, at both central and regional levels, continuously increasing their commitment to work together in pursuing opportunities across a broad range of products, and to share these with the wider United Nations system.